

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 6410

AMEMBASSY LONDON

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: ENRG, GW, UK

SUBJ: UK-FRG CONFLICT OVER NORTH SEA PARTICIPATION?

1. SUMMARY: FRG TROUBLED OVER HOW PARTICIPATION MIGHT AFFECT DEMINEX INVESTMENT IN NORTH SEA. AT SAME TIME, WORKING-LEVEL REJECTS RECENT PRESS CLAIM THAT BONN-LONDON CONFLICT IS BREWING OVER PARTICIPATION ISSUE. END SUMMARY.

2. EMBOFF ASKED ECONMINISTRY OFFICIAL (BERGHAUS) FEBRUARY 10 ABOUT FEBRUARY 6 ARTICLE IN DIE WELT, FILED BY KARL GRUEN FROM LONDON, CLAIMING THAT LONDON-LIMITED OFFICIAL USE

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BONN CONFLICT IS BREWING OVER (A) HMG DEMAND FOR

51 PERCENT PARTICIPATION IN NORTH SEA OIL FIELDS AND (B) HMG REQUIREMENT THAT 3/4 (SIC) OF THIS PRODUCTION BE REFINED IN UK. ARTICLE CITES THISTLE FIELD, IN WHICH FRG-FINANCED DEMINEX ACQUIRED 40 PERCENT INTEREST LAST YEAR, AS SPECIFIC POINT OF DISPUTE.

3. BERGHAUS, WHO SERVES AS DESK OFFICER FOR DEMINEX AFFAIRS, EXPRESSED STRONG CONCERN OVER GRUEN ARTICLE. HE LABELED IT "IMPRECISE, ABSOLUTELY EXAGGERATED, TENDENTIOUS." HE NOTED THAT HMG HAS ANNOUNCED BUT NOT IMPLEMENTED ITS NORTH SEA OIL POLICY, AND THAT DEMINEX HAS YET TO GIVE HMG ITS WRITTEN POSITION ON PARTICIPATION. HE DENIED THERE HAD BEEN ANY FRG-UK CONTACT AT GOVERNMENT LEVEL ON THIS QUESTION, CONCLUDING THAT CONFLICT DOES NOT EXIST.

4. AT SAME TIME, BERGHAUS CITED FRG CONCERN OVER HOW HMG PLANS TO COMPENSATE COMPANIES IN IMPLEMENTING PARTICIPATION SCHEME, AND OVER HMG REQUIREMENT FOR DOMESTIC REFINING OF NORTH SEA OIL. FRG BELIEVES THIS REQUIREMENT, IF IMPLEMENTED, WOULD VIOLATE EC REGULATIONS. IT WOULD ALSO RUN AGAINST FRG POLICY THAT DEMINEX-PRODUCED OIL BE REFINED IN WEST GERMANY.

5. COMMENT: FRG HAS STRONG INTEREST IN RETURN ON ITS HEAVY INVESTMENT IN DEMINEX. TO DATE, FRG NOT SATISFIED THAT HMG PARTICIPATION IN THISTLE FIELD WILL NOT THREATEN THAT RETURN. FRG WOULD ALSO FACE DOMESTIC EMBARRASSMENT, AS ARTICLE POINTS OUT, IF DEMINEX PRODUCES OIL FOR REFINING IN UK AT TIME WHEN ALL GERMAN REFINERIES ARE RUNNING AT LOW CAPACITY WITH NO EARLY PROSPECT OF SIGNIFICANT PICK-UP. END COMMENT.

CROWLEY

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